

P-527, 430/CP-91-608; P-527, 430/CP-91-630 ORDER APPROVING COST  
STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of a Petition for  
Extended Area Service from the  
Millerville Exchange to the  
Alexandria Exchange

ISSUE DATE: September 20, 1993

DOCKET NO. P-527, 430/CP-91-608

In the Matter of a Petition for  
Extended Area Service from the  
Brandon Exchange to the  
Alexandria Exchange

DOCKET NO. P-527, 430/CP-91-630

ORDER APPROVING COST STUDIES AND  
PROPOSED RATES

**PROCEDURAL HISTORY**

On August 13 and 20, 1991, subscribers in the Millerville and the Brandon exchanges filed petitions seeking extended area service (EAS) to the Alexandria/Lake (Alexandria) exchange. Millerville and Brandon are served by the Gardonville Cooperative Telephone Association (Gardonville). Alexandria is served by United Telephone System-Midwest (United). Millerville has 170 subscribers; Brandon has 575 subscribers; Alexandria has 9,333 subscribers.

At a meeting held on December 17, 1991, the Commission decided that the two prospective EAS routes met the adjacency and traffic volume criteria of Minn. Stat. § 237.161. Before the Commission issued its Order, however, an irregularity in the official boundary maps was discovered.

The Department of Public Service (the Department) opened Docket No. P-527/SA-92-78 to address the exchange boundary issue. The amended exchange boundaries were approved by the Commission on May 5, 1992.

On July 8, 1992, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES. In that Order the Commission found that the Millerville/Alexandria and Brandon/Alexandria EAS routes, as shown in the amended boundary maps, met the statutory adjacency and traffic criteria. The Commission ordered Gardonville and United to file cost studies and proposed rates in order for the petition to proceed to the polling of subscribers.

Gardonville and United filed their cost studies and proposed rates on September 8 and 9, 1992. On October 19, 1992, United filed additional proposed rates for Customer-Owned, Coin-Operated Telephones (COCOTs).

The Department filed its report and recommendation on October 12, 1992. US WEST Communications, Inc. (US WEST) filed responsive comments on November 2, 1992.

The matter came before the Commission for consideration on August 31, 1993.

### **FINDINGS AND CONCLUSIONS**

The telephone companies' cost studies and proposed rates are now before the Commission for its approval prior to polling of the Millerville and Brandon subscribers. Several issues were raised regarding these cost studies and proposed rates. The Commission will deal with these in turn.

#### **Stimulation Study**

In its October 12, 1992 report, the Department recommended that the Commission accept the 400% stimulation factor as used by Gardonville and United in their cost studies. The Department also recommended, however, that the telephone companies conduct a stimulation study for the proposed EAS routes. If the results did not support the 400% stimulation factor, the Department would file a complaint with the Commission.

The Commission will not require the companies to file a stimulation study. The 400% factor has been accepted by the Commission in previous outstate EAS proceedings, such as the Iron Trail EAS docket. It has been found to be reasonable in similar proceedings, and in this case has not been shown to be unreliable by the Department or any other party. Absent any showing that the factor is unreasonable, the Commission will not require the telephone companies to conduct a stimulation study, the expense of which would ultimately fall on ratepayers.

#### **Affected Telephone Company**

In the two subject dockets, US WEST acts solely as an interexchange carrier between Millerville and Alexandria, and between Brandon and Alexandria. In its report, the Department argued that US WEST should be considered an affected telephone company for the purposes of income neutrality under the EAS statute. The Department acknowledged that the local telephone companies' cost studies, which did not factor in US WEST as an

affected telephone company, were in compliance with previous Commission Orders. The Department stated that it would obtain information from US WEST regarding its lost toll contribution, and would report the information to the Commission.

US WEST objected to the prospect of supplying cost information to the Department. US WEST stated that a line of Commission cases has determined that an interexchange carrier carrying toll traffic between independent local exchange companies is not an affected telephone company under the EAS statute.

The Commission finds that US WEST is not an affected telephone company under the meaning of Minn. Stat. § 237.161, and should not be required to file cost studies in this docket. In a number of cases starting with the Hokah-Northfield-Cannon Falls docket<sup>1</sup>, the Commission has found that interexchange carriers carrying toll traffic between local exchange companies are not affected telephone companies. The Commission also specifically stated that US WEST's lost toll contribution would not be considered in the proposed Millerville and Brandon/Alexandria EAS rates in the July 8, 1992 ORDER REQUIRING COST STUDIES AND PROPOSED RATES.

Because US WEST's lost toll contribution will not be factored into rates, requiring cost information would be a useless expense for US WEST ratepayers. The Commission will not require US WEST to file toll contribution data in this case.

### **Proposed Rates**

Gardenville and United filed cost studies and proposed rates for the Millerville/Alexandria EAS route and the Brandon/Alexandria EAS route. Alternative rates were submitted for 75%/25%, 60%/40%, and 50%/50% cost allocations.

The Commission notes that two of United's proposed rates differ from United's calculations in its cost study. The small projected changes in the local measured service (LMS) and COCOT rates may be offset by projected changes in usage. United therefore proposes keeping its LMS and COCOT rates stable, or at the most raising the rates by a very minimal amount. The Commission agrees with United's proposal. This methodology is consistent with dockets such as the Waconia and Cologne EAS proceedings, in which rates have previously been approved by the Commission.

The Commission will approve rates with a cost allocation of

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<sup>1</sup> Docket Nos. P-421/CP-87-352; P-407, 421/CP-87-216; P-401/CP-89-951, ORDER DETERMINING THE STATUS OF INTEREXCHANGE CARRIERS UNDER MINN. STAT. § 237.161, SUBD. 3 (1990), November 21, 1991.

50%/50%. The Commission notes that the petitioning exchanges have relatively few subscribers and are petitioning to a much larger exchange. In this case, an equal cost allocation will help to modify the relatively high rate impact on the subscribers in the petitioning exchanges.

The petition process may now move to the polling of Millerville and Brandon subscribers. The Commission expects that Gardonville will cooperate fully in the polling process, and will work with Commission Staff and the Commission contractor to provide one useable address per customer access line for use in balloting the exchanges.

#### ORDER

1. The Commission approves proposed rates for the Millerville/Alexandria and Brandon/Alexandria EAS routes, as found at Attachment A, attached to and made a part of this Order.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie  
Acting Executive Secretary

(S E A L)

ATTACHMENT A

**Brandon to Alexandria EAS Rate Additives**

Brandon

Business and Residential                      \$6.06

Alexandria

Res LMS	\$-0-
1-Party Res	0.28
2-Party Res	0.26
4-Party Res	0.22
Bus LMS	-0-
1-Party Bus	0.55
4-Party Bus	0.44
Semi-Public	0.55
Trunk	0.77
School	0.41
COCOT-Meter	0.16

**Millerville to Alexandria EAS Rate Additive**

Millerville

Business and Residential                      \$5.30

Alexandria

Res LMS	\$-0-
1-Party Res	0.07
2-Party Res	0.06
4-Party Res	0.05
Bus LMS	-0-
1-Party Bus	0.13
4-Party Bus	0.11
Semi-Public	0.13
Trunk	0.17
School	0.10
COCOT-Meter	0.05